

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 SCEM-02 EB-11 COME-00 INT-08

OMB-01 TRSE-00 AGR-20 DRC-01 /179 W
----- 049708

R 202037Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5721

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

ANE BWYYYHPARIS 0115

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

UNCLAS SECTION 01 OF 02 LONDON 13593

C O R R E C T E D C O P Y (CORRECT GARBLED PARA 2.)

.O. 11652: N/A

TAGS: ENRG, UK

SUBJECT: MANDATORY ALLOCATION OF PETROLEUM PRODUCTS

REF: LONDON 13545

BEGIN SUMMARY

FIRST REACTIONS TO GOVERNMENT'S PLAN TO ALLOCATE
PETROLEUM (REFTEL) AND TO INTRODUCE STAND-BY
LEGISLATION PROVIDING GOVERNMENT WITH AUTHORITY OVER
PRODUCTION, SUPPLY AND USE OF ALL FORMS OF ENERGY HAS
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BEEN MODERATELY FAVORABLE ALTHOUGH SEVERAL PAPERS

TERM MEASURE LONG OVERDUE. IN COURSE OF HOUSE OF COMMONS DEBATE ON ECONOMY, PRIME MINISTER HEATH SAID WITH REFERENCE TO STATE OF EMERGENCY THAT ONLY PERMANENT ANSWER TO PROBLEM OF OIL SUPPLIES IS SPEEDY AND PERMANENT PEACE SETTLEMENT IN MIDDLE EAST. HEATH FURTHER NOTED ADVERSE EFFECT OF INCREASING OIL PRICES ON DEVELOPING COUNTRIES BOTH DIRECTLY AND INDIRECTLY BECAUSE DEVELOPED COUNTRIES WOULD FIND IT DIFFICULT DEVOTE NECESSARY RESOURCES TO HELP LDC'S.

END SUMMARY

1. AT LEAST ONE PAPER ("FINANCIAL TIMES") COMMENTS THAT ACROSS THE BOARD CUT IN SUPPLY IF RIGIDLY ENFORCED "WOULD BEAR SELECTIVELY ON THOSE USERS WHO HAVE EXPANDED MOST RAPIDLY IN THE PAST TWELVE MONTHS, AND THOSE WHOSE USE OF OIL IS ALREADY THE MOST EFFICIENT." FT ADVOCATES "SUBSTANTIAL EMERGENCY OIL TAX" IN ORDER TO BALANCE REDUCTIONS IN SUPPLY WITH INCENTIVE ON DEMAND SIDE TO USE RESOURCES MOST EFFICIENTLY AND SUGGESTS THAT THE EFFECT ON PRICES OF ANY OIL TAX BE MADE EXCEPTION TO STAGE THREE RULES REGARDING PRICE CONTROL.
2. GOVERNMENT HAS PUBLISHED LIST OF PRIORITY USERS (SENT BY AIRGRAM) WHO ARE SUBJECT TO THE 10 PERCENT INITIAL CUT BUT FOR WHOM SOME ADJUSTMENT MAY BE MADE TO MEET ESSENTIAL NEEDS. THIS LIST INCLUDES CENTRAL GOVERNMENT SERVICES, ARMED FORCES, POLICE, FIRE AND AMBULANCE SERVICES, ESSENTIAL TRANSPORT, FOOD PRODUCTION AND PROCESSING, HEAVY INDUSTRY, WASTE DISPOSAL AND COMMUNICATIONS.
3. DEBATE IN HOUSE OF COMMONS ON ENERGY CUTS WAS UNEXCEPTIONAL SAVE FOR COMMENT BY PRIME MINISTER HEATH WHO DISCUSSED STATE OF EMERGENCY DECLARED LAST WEEK. PRIME MINISTER SAID:

" BUT THE ONLY FULL ANSWER TO THE PROBLEM OF OIL SUPPLIES IS A SPEEDY PEACE SETTLEMENT IN THE MIDDLE EAST, FOR WHICH WE ARE WORKING. I CANNOT EMPHASIZE TOO

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USIA-15 ACDA-19 IO-14 SCEM-02 EB-11 COME-00 INT-08

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5722

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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STRONGLY THAT THE ONLY PERMANENT ANSWER TO THE PROBLEM
OF OIL SUPPLIES IS A SPEEDY AND PERMANENT PEACE
SETTLEMENT IN THE MIDDLE EAST.

THE PRICE OF OIL IS A BURDEN ON OUR ECONOMY AND ON ALL
WESTERN ECONOMIES. I MUST SAY THAT BY THIS POLICY THE
ARAB COUNTRIES RUN RISKS OF DAMAGING, INDEED OF HEAVILY
DAMAGING, THEIR FRIENDS IN EUROPE. IT IS BOUND TO
MAKE IT MORE DIFFICULT FOR EUROPE, FOR THE COMMUNITY
AND FOR OTHERS, TO FIND RESOURCES TO HELP THE REST OF
THE DEVELOPING WORLD. MOREOVER, I HOPE THAT THE ARAB
COUNTRIES WILL REALISE THAT IT IS NOT ONLY THE
INDUSTRIALIZED COUNTRIES THAT CARRY THE BURDEN OF THIS
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DRASTIC AND RAPID RISE IN PRICES; IT IS ALSO THE REST
OF THE DEVELOPING COUNTRIES THEMSELVES THAT
HAVE TO CARRY PART OF THAT BURDEN. IT CAN OF COURSE
BE OFFSET BY PURCHASES BY THE ARAB COUNTRIES FOR THEIR
DEVELOPMENT AND THAT OF OTHERS. IT CAN BE OFFSET BY
MAINTAINING BALANCES IN THE WESTERN EUROPEAN COUNTRIES
OR THE WESTERN COUNTRIES GENERALLY. BUT IT MUST MEAN
THAT WE SHALL HAVE TO USE A LARGER PROPORTION OF OUR
NATIONAL RESOURCES, A GREATER PART OF OUR WEALTH, TO
PAY FOR THE FUEL WE REQUIRE UNTIL OUR OWN RESOURCES
ARE SUFFICIENT TO MEET THOSE NEEDS."

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